

STORAGE NAME: h1335a.ca

DATE: April 4, 1997

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
COMMUNITY AFFAIRS
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HJR 1335

RELATING TO: Exemption from Ad Valorem Taxation of Certain Tangible Personal Property

SPONSOR(S): The House Finance and Taxation Committee, Representative Starks and Others

STATUTE(S) AFFECTED: Article VII, section 3 and article XII, section 22, Florida Constitution

COMPANION BILL(S): SB 986 (i)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) FINANCE & TAXATION YEAS 8 NAYS 0
- (2) COMMUNITY AFFAIRS YEAS 6 NAYS 0
- (3) GENERAL GOVERNMENT APPROPRIATIONS
- (4)
- (5)

I. SUMMARY:

The proposed house joint resolution authorizes an exemption from ad valorem taxation of up to \$5,000 of tangible personal property. General law is required to enact the exemption. The exemption does not apply if the total value of tangible personal property owned is greater than the exempt amount. The exemption is in addition to other exemptions granted by the Constitution and does not apply to inventory and livestock.

The amendment takes effect January 1, 1999, if it is approved at the general election to be held in November 1998.

General law is required to implement the exemption, therefore, the proposed house joint resolution has no fiscal impact on state or local governments. The fiscal impact of future implementing legislation could reduce local property taxes by up to (\$33.2) million in FY 1998-99.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

The Florida Constitution provides specific authority for ad valorem taxation. Article VII, s. 1(a), Florida Constitution, provides that no state ad valorem taxes shall be levied upon real estate or tangible personal property but preempts authority to levy all other forms of taxation to the state except as provided by general law. Subsection 9(a) of Article VII authorizes counties, school districts, and municipalities to levy ad valorem taxes on real and personal property. Special districts may levy ad valorem tax when authorized by law.

Section 4 of Article VII provides that general law require a just valuation of all property. However, agricultural land, land producing high water recharge to Florida's aquifers, and land used exclusively for non-commercial recreational purposes may be classified by general law and assessed solely on the basis of character or use. In addition, tangible personal property held for sale as stock in trade and livestock may be valued for taxation at a specified percentage of its value, may be classified for tax purposes, or may be exempted from taxation. The Florida Statutes exempt inventory and livestock. Increases in assessments of homestead property are limited to the lower of three percent or the Consumer Price Index. However, such property is valued at just value when new, after a change in ownership, and after the termination of the use as a homestead.

Section 3 of Article VII provides a number of tax exemptions. Property owned by a municipality and used exclusively by it for municipal or public purposes is exempt. Authority is given to exempt such property as is used predominantly for educational, literary, scientific, religious or charitable purposes by general law. Household goods and personal effects are exempt to \$1,000 and property of widows, widowers, persons who are blind, and persons who are totally and permanently disabled is exempt to \$500. Authority is given to exempt additional household goods and personal effects as well as property of widows, widowers, persons who are blind, and persons who are totally and permanently disabled.

By general law, an exemption may be granted to a renewable energy source device and to real property on which such device is installed and operated. Also by general law, counties and municipalities are granted authority to give ad valorem tax exemptions for economic development and historic preservation.

B. EFFECT OF PROPOSED CHANGES:

The proposed house joint resolution authorizes an exemption from ad valorem taxation to owners of tangible personal property of up to \$5,000. The exemption applies only if the total cumulative value of tangible personal property held by the owner does not exceed the exempt amount and requires general law for implementation. The exemption is in addition to any other exemption provided in the section, and does not apply to inventory and livestock.

The amendment takes effect January 1, 1999, if it is approved at the general election to be held in November 1998.

Ballot language is provided.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No

(3) any entitlement to a government service or benefit?

The proposed house joint resolution creates an exemption from ad valorem taxation of up to a total cumulative value of tangible personal property of \$5,000.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Not applicable

(2) what is the cost of such responsibility at the new level/agency?

Not applicable

(3) how is the new agency accountable to the people governed?

Not applicable

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

The proposed house joint resolution exempts up to \$5,000 of total cumulative value of tangible personal property held by the same owner. Such an exemption results in a reduction of tax imposed by taxing authorities which are currently levying the maximum rate they are authorized. In taxing jurisdictions which may increase their tax rate, the exemption may result in a shift of tax increasing the tax of those who cannot claim the exemption.

- b. Does the bill require or authorize an increase in any fees?

See II. C. 2. a. above.

- c. Does the bill reduce total taxes, both rates and revenues?

See II. C. 2. a. above.

- d. Does the bill reduce total fees, both rates and revenues?

Not applicable

- e. Does the bill authorize any fee or tax increase by any local government?

See II. C. 2. a. above.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

Not applicable

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Not applicable

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Not applicable

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

Not applicable

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

Not applicable

(2) Who makes the decisions?

Not applicable

(3) Are private alternatives permitted?

Not applicable

(4) Are families required to participate in a program?

Not applicable

(5) Are families penalized for not participating in a program?

Not applicable

b. Does the bill directly affect the legal rights and obligations between family members?

No

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

Not applicable

(2) service providers?

Not applicable

(3) government employees/agencies?

Not applicable

D. SECTION-BY-SECTION ANALYSIS:

Not Applicable. See EFFECTS OF PROPOSED CHANGES section for a description of the provisions of the bill.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None

2. Recurring Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

4. Total Revenues and Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None. The proposed house joint resolution will have no fiscal impact on local governments since it requires general law to enact the exemption. The fiscal impact of future implementing legislation is estimated to reduce local property taxes by up to (\$33.2) million.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

The proposed house joint resolution exempts up to \$5,000 of total cumulative value of tangible personal property held by the same owner. Such an exemption will benefit those entities which qualify. To the extent that the tax reduction will result in a shift of tax, other taxpayers who cannot claim the exemption will have their taxes increased.

2. Direct Private Sector Benefits:

See III. C. 1. above.

3. Effects on Competition, Private Enterprise and Employment Markets:

See III. C. 1. above.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This is a proposed house joint resolution, and, therefore, it is not subject to the provisions of Article VII, section 18 of the Florida Constitution.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This is a proposed house joint resolution, and, therefore, it is not subject to the provisions of Article VII, section 18 of the Florida Constitution. It is estimated that implementing legislation could reduce the revenue raising authority of municipalities and counties by up to (\$30.3) million. Such legislation would require a two-thirds vote of each house of the legislature to pass.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This is a proposed house joint resolution, and, therefore, it is not subject to the provisions of Article VII, section 18 of the Florida Constitution.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

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VII. SIGNATURES:

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